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Inside this Issue

- 1 CWFP SFY 2007 Funding Policies
- 2 CWFP SFY 2007 Project Priority List
- 3 CWFP Hardship Applications Due
- 3 CWFP Intended Use Plan
- 3 SDWLP SFY 2007 Funding Policies
- 4 SDWLP Intended Use Plan
- 5 Public Hearing Scheduled Get PSC Approval Started
- 5 Interest Rates for EIF Loans Collection System eCMAR
- 6 Extra SDWLP Funds?!

Appendix:

CWFP IUP
CWFP Project Priority List
SDWLP IUP
SDWLP Draft Funding List
Public Hearing Notice

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Loan Interests

Clean Water Fund Program SFY 2007 Funding Policies

Ken Hollenzer

Below are the proposed funding policies for administering the Clean Water Fund Program (CWFP) for State Fiscal Year (SFY) 2007. These funding policies will be effective for SFY 2007 (July 1, 2006 through June 30, 2007).

Population & PERF Scores

In the past, the CWFP used the most recent population estimates published by the Department of Administration (DOA) to calculate almost all Priority Evaluation and Ranking Form (PERF) scores. After further review, we have modified our position. We will continue to use the most recent DOA estimate unless:

- a municipality indicates the population served by the project is only a **portion of the entire population** of that municipality or other municipalities involved in the project as well; or
- a municipality indicates the population served by the project covers its entire population as well as some or all of a population within the boundaries of one or more other municipalities; or
- the municipality is a sanitary district and the population served was determined by a survey of residents living in one or more jurisdictional boundaries.

In these situations, the CWFP will defer to the estimate provided on the Notice

of Intent to Apply form (ITA) and the PERF.

However, if a municipality submits an ITA indicating a previously submitted PERF is still valid for a project, the CWFP will **not** recalculate the PERF score unless the municipality provides some justification.

DBE Solicitation & Federal Funds

The objectives for utilization of minority business and women business enterprises (MBEs/WBEs) are as negotiated with the Environmental Protection Agency in March 2003. In the November 2005 issue of Loan Interests (No. 142), the CWFP published a new policy document entitled, "Important Information Regarding Soliciting MBEs/WBEs /SBRAs for Environmental Improvement Fund (EIF) Projects". A municipality receiving CWFP monies now has four options to meet the solicitation requirements when hiring prime contractors **and** prime contractors when hiring subcontractors must do one or more of the following:

- include language in bid advertisements to encourage DBEs to submit bid proposals;
- certify that a good faith effort was made to achieve these goals by contacting a minimum of 5 MBEs and 5 WBEs (and 5 SBRAs if receiving federal funds);
- document a lack of DBE firms to contact;
- utilize MBEs for 3% or more of the cost of its project and utilize WBEs for 4% or more of the cost of its project.

For more information regarding solicitation requirements, see the following web page:
<http://dnr.wi.gov/org/caer/cfa/EL/Guide/MBEproc.html>

Each year the CWFP must designate a number of projects with total costs equivalent to the amount of the federal capitalization grant for that year to be federally funded projects, also known as “equivalency” projects. These projects are subject to certain additional requirements and must receive binding commitments (Financial Assistance Agreements) within one year of the department’s receipt of the corresponding capitalization grant.

If a municipality’s project is designated as a federally funded “equivalency” project, the municipality must comply with Small Businesses in Rural Areas (SBRA) solicitation requirements in addition to the MBE/WBE solicitation requirements. An SBRA is a small business that is located in and conducts its primary operation in a non-metropolitan county. Projects listed in bold type on the CWFP SFY 2007 Project Priority List in the appendix are designated to receive federal funding. For more information regarding SBRA, visit the following web page:
<http://dnr.wi.gov/org/caer/cfa/EL/Guide/MBEdef.html>

If the CWFP designates a municipality’s project as a federally funded “equivalency” project, the municipality must also comply with the federal Single Audit Act (see OMB Circular A-133), and must sign the Federal Equivalency Projects Assurances and Certification (Form 8700-201).

Hardship Assistance & PV

Present value subsidy (PV) is the financial control used to limit the amount of CWFP financial assistance. The total amount of PV available for the 2005-2007 biennium is \$109,600,000. Fifteen percent of this amount, or

\$16,440,000, is set aside for hardship financial assistance. The estimated hardship PV limit for SFY 2007 is \$15,166,605 or 92% of the biennial hardship PV amount. This limit is based on the biennial hardship PV amount less the amount of hardship PV provided to hardship assistance projects in SFY 2006.

Hardship PV will be allocated to municipalities in the fundable range based on amounts shown in the applications and current information at the time the hardship financial assistance funding list is published. If a municipality’s cost estimates increase between the time the list is published and the time the Financial Assistance Agreement is prepared, and there is insufficient unallocated hardship PV remaining to fund the increase with hardship financial assistance, the municipality may receive funding for the additional costs at the non-hardship interest rate specified for the type of project being constructed.

The department may provide partial hardship funding to the last project in the SFY 2007 fundable range if the CWFP does not have enough hardship PV available to fully fund the project. Any partially funded project can compete in a future fiscal year for additional hardship PV.

If you have questions related to the above policies, contact the appropriate staff person listed below:

PERF scores – Ken Hollenzer at (608) 266-7542 or kenneth.hollenzer@dnr.state.wi.us
 Hardship assistance – Jeanne Cargill at (608) 267-7587 or jeanne.cargill@dnr.state.wi.us
 Federally funded project - Becky Scott at (608) 267-7584 or rebecca.scott@dnr.state.wi.us
 MBE/ WBE/SBRA solicitation - Meja Maka at (608) 266-9193 or meja.maka@dnr.state.wi.us ☐

CWFP SFY 2007 Project Priority List

Ken Hollenzer

Attached to this newsletter is the State Fiscal Year (SFY) 2007 Project Priority List for the Clean Water Fund Program (CWFP). The list contains all CWFP projects eligible to submit an application for SFY 2007 funding, based on Notice of Intent to Apply forms received by the department.

Calendar of Events

June 28, 2006
1:00 pm, Rm. 817 GEF 2
Funding Policies Public Hearing

June 30, 2006
Postmark Deadline
CWFP Hardship Applications

August 1, 2006
Postmark Deadline
LRLP Applications

October 1, 2006
Postmark Deadline
LRLP Applications

The projects are sorted in descending order by priority score. In the case of tie scores, the project serving the larger population has the higher priority for funding.

If you have questions regarding the CWFP Project Priority List, contact Ken Hollenzer at (608) 266-7542 or kenneth.hollenzer@dnr.state.wi.us. ☐

CWFP Hardship Applications Due

Jeanne Cargill

Application Deadline: June 30, 2006 is the postmark deadline for Clean Water Fund Program (CWFP) hardship financial assistance applications for State Fiscal Year 2007.

Prior to submitting an application, your municipality must receive facilities plan approval from the Department. If your facilities plan is not yet approved, please work with your DNR plan reviewer to be sure the plan can be approved prior to June 30.

Your application must contain approvable plans and specifications and other required documents in order to be considered complete. For a list of the required items, see our application contents web page at <http://dnr.wi.gov/org/caer/cfa/EL/Guide/appcwfp.htm> or the checklist on page 1 of the application form.

Need a copy of the CWFP Financial Assistance Application (Form 8700-203)? You can either print an application from our forms web page at <http://dnr.wi.gov/org/caer/cfa/EL/FORMS/forms.html> or request a copy from Deb Olson at (608) 266-5889 or debra.olson@dnr.state.wi.us.

For more information, contact Jeanne Cargill at (608) 267-7587 or jeanne.cargill@dnr.state.wi.us, or see our hardship financial assistance web pages (<http://dnr.wi.gov/org/caer/cfa/EL/Section/hardship.html>). ☐

CWFP Intended Use Plan

Becky Scott

Wisconsin's State Fiscal Year (SFY) 2007 Intended Use Plan (IUP) is included as an attachment to this newsletter. The IUP indicates the intended use of the Federal Fiscal Year (FFY) 2006 Clean Water State Revolving Fund (SRF) capitalization grant and required state matching funds, as well as the undisbursed funds remaining from the FFY 2005 grant and other monies available in the revolving loan fund. The IUP is a part of Wisconsin's capitalization grant agreement package for FFY 2006 SRF funds and covers anticipated activity during SFY 2007.

If you have any questions or comments regarding the Clean Water Fund Program Intended Use Plan, contact Becky Scott at 608-267-7584 or rebecca.scott@dnr.state.wi.us. ☐



SDWLP SFY 07 Funding Policies

Jeanne Cargill

Available Funding

Wisconsin expects to receive a Drinking Water State Revolving Fund (DWSRF) federal capitalization grant for approximately \$15,931,300 from the United States Environmental Protection Agency (U.S. EPA) for State Fiscal Year 2007 (SFY 2007 starts July 1, 2006 and ends June 30, 2007). After adding the state match and loan repayments from previous projects, and subtracting funds for set-asides, the Safe Drinking Water Loan Program

(SDWLP) has approximately **\$33,459,166** available for loans to local governmental units for SFY 2007.

20% State Match

Wisconsin must provide a state match of at least 20% of the federal capitalization grant, or \$3,186,260.

Funds for Set-Asides The DWSRF allows states to set aside up to 31% of the federal capitalization grant to fund DWSRF administrative expenses, state program management, small systems technical assistance, and local assistance and other state programs.

For SFY 2007, DNR plans to use \$1,215,191 on the following activities:

- \$796,565 for state program management of the Public Water System Supervision program;
- \$318,626 for small systems technical assistance; and
- \$100,000 for wellhead protection activities.

Population, MHI & Priority Scoring

In determining appropriate points for a project in the Needs section of a Priority Evaluation and Ranking Form (PERF), the department uses: 1) the most current population estimate published by the Wisconsin Department of Administration for the municipality; and 2) the municipality's 2000 median household income (MHI) adjusted using the most recent data published by the U.S. Department of Commerce that indicates the increase in per capita income for the county in which the municipality is located.

In order to be sure the project ranking on a funding list uses the most recent data available, Safe Drinking Water Loan Program staff update the Needs section of the PERF each year when preparing the Project Priority List. Therefore, even if a municipality does not submit a new PERF in a fiscal year, the department may adjust the project score based on population and/or MHI and per capita income data.

Funding List

After receiving the DWSRF federal capitalization grant for SFY 2007, DNR will determine which applications fall within the fundable range and will publish the SFY 2007 SDWLP funding list. The fundable range is the range of projects on the funding list that can be fully or partially funded with the available loan monies, in accordance with s. NR 166.26, Wis. Adm. Code.

The Department of Administration (DOA) will allocate the appropriate amount of present value subsidy to each project in the fundable range.

Unused Funds – SFY 2007

If a project in the SFY 2007 fundable range: 1) does not use all of the funding allocated to it, 2) fails to execute a loan on or before April 30, 2007, or 3) is allocated funding that is later reduced in accordance with ss. NR 166.26(3)(b) to (h), Wis. Adm. Code, then DNR and DOA will reallocate the unused funding to the next highest ranked, eligible project(s) on the funding list, in accordance with s. NR 166.26, Wis. Adm. Code. If the next highest ranked eligible project(s) is unable to execute a loan on or before April 30, 2008, DNR and DOA will add any unused funds to the SFY 2009 available funding. If there are no other eligible projects to allocate any available or unused SFY 2007 funding to as of April 30, 2007, DNR and DOA will add any unused or unallocated funds to the SFY 2008 available funding.

Small Systems

Small systems are those public drinking water systems that serve less than 10,000 persons. The number of persons served by a system is obtained from the DNR Bureau of Drinking Water and Groundwater and determined on the application deadline. DNR uses this figure to determine whether a system meets the small systems population criterion. If there are not sufficient funds to finance all eligible projects, then in accordance with s. 281.61(8)(a)1, Wis. Stats., DOA will allocate to small systems 15% of available funds, or a lesser amount that fully funds the small system projects on the list. If a project is

designated as a small system and is needed to meet the 15% small systems requirement, the

SDWLP will provide the local governmental unit full loan assistance, subject to the 25% present value subsidy limitation and available funding.

33% of Market Interest Rate Loans

A local governmental unit with a population less than 10,000 **and** an adjusted median household income (MHI) of 80% or less of the state's adjusted MHI, is eligible to receive an interest rate that is 33% of the current market interest rate for loans, in accordance with s. NR 166.14(1), Wis. Adm. Code. Local governmental units that do not meet both criteria will receive an interest rate that is 55% of the current market interest rate for loans.

The interest rate for a loan is determined with population and MHI data available at the time of the Financial Assistance Agreement.

Refinancing, Reimbursement and the US EPA Eight Quarters Rule

To avoid SDWLP funding shortfalls and multiple loan closings for single projects, Wisconsin transferred Clean Water Fund Program (CWFP) funds into the SDWLP to help fund construction costs subject to U.S. EPA's Eight Quarters rule. CWFP transferred funds are not subject to the Eight Quarters rule, and will primarily be used to fund refinancing and reimbursement costs for projects that could not otherwise be funded with a single loan due to the Eight Quarters rule. To date, Wisconsin has transferred \$23,596,056 from the CWFP to the SDWLP. In SFY 2007, \$9,961,452 of the transferred funds are included in the determination of available funding.

So – what is the Eight Quarters Rule? Construction costs incurred prior to the execution of an SDWLP loan may be eligible for refinancing or reimbursement with an SDWLP loan. However, U.S. EPA has an “Eight Quarters” rule that restricts a portion of the available funding, affecting the way in which funds to refinance or reimburse construction costs incurred prior to execution of a loan can be disbursed.

Design and planning costs are not subject to the Eight Quarters rule.

“Eight Quarters” refers to the time period during which funds can be restricted -- up to eight calendar quarters. The start of the Eight Quarters period, the first quarter, is the calendar quarter in which U.S. EPA notifies DNR that Wisconsin will receive its federal capitalization grant. Wisconsin uses or “draws” funds from the capitalization grant as the primary source of funding for SDWLP loans.

U.S. EPA requires that any refinanced or reimbursed construction costs funded with the restricted funds need to be drawn evenly over the calendar quarter in which the loan is executed and the remaining calendar quarters of the Eight Quarters period. In other words, if restricted funding is used, the refinancing or reimbursement costs cannot be paid with one SDWLP loan; a loan would need to be executed in each of the remaining calendar quarters of the Eight Quarters period. For example, if an SDWLP loan is executed in quarter 4 of the Eight Quarters period, only one-fifth of the funds needed for refinancing or reimbursement can be used in the quarter 4 loan; Wisconsin must draw the restricted funds and disburse them with loans evenly over quarters 4, 5, 6, 7 and 8.

For more information regarding the Safe Drinking Water Loan Program, contact Jeanne Cargill at (608) 267-7587 or jeanne.cargill@dnr.state.wi.us. ☐



SDWLP IUP for SFY 2007

Becky Scott

The Safe Drinking Water Loan Program Intended Use Plan (IUP) for State Fiscal Year (SFY) 2007 is attached to this newsletter. Section 1452(b) of the Safe Drinking Water Act requires that each

state prepare an annual IUP. The IUP identifies the uses of the funds in the Drinking Water State Revolving Fund and describes how those funds support the goals of the Act.

The IUP is part of Wisconsin's capitalization grant application package for Federal Fiscal Year 2006 funds. After EPA awards Wisconsin's capitalization grant, we will use the grant and state matching funds, as well as other money which is available in the state revolving fund, to provide financial assistance for drinking water projects and fund several programmatic set-asides during SFY 2007.

If you have any questions or comments regarding this IUP, please contact Becky Scott at (608) 267-7584 or rebecca.scott@dnr.state.wi.us. ☐



Public Hearing Scheduled

Jeanne Cargill

The Department will hold a public hearing on Wednesday, June 28, 2006, to receive comments regarding funding policies and project priority lists for State Fiscal Year (SFY) 2007. This public hearing is for both the Clean Water Fund Program (CWFP) and the Safe Drinking Water Loan Program (SDWLP).

The CWFP funding policies and project priority list and the SDWLP funding policies are included in this issue of Loan Interests. We published the SDWLP project priority list for SFY 2007 in the March 2006 issue of Loan Interests. To obtain copies of any back issues of Loan Interests, visit our website at <http://www.dnr.wi.gov/org/caer/cfa/EL/Section/Newsletters/newsletters.html> or contact Jodi Armstrong at 608-264-6120 or jodi.armstrong@dnr.state.wi.us.

Come to the public hearing to submit oral comments. You may also submit written comments prior to or at the hearing. See the attached "Notice of Public Hearing" for further information. ☐

Get PSC Approval Process Started

Jeanne Cargill

Did your municipality submit an application for funding from the Safe Drinking Water Loan Program (SDWLP) for State Fiscal Year (SFY) 2007? If so, and you need a rate increase in order to support your new loan/bond (and generate the required debt coverage), we encourage you to get started on your Public Service Commission (PSC) rate increase application as soon as possible.

All SDWLP loans for SFY 2007 must close by April 30, 2007. If you need a rate increase to support your loan, **you must receive your rate order from PSC authorizing a rate increase before we close your SDWLP loan.** Be sure you allow PSC enough time to process your rate application. In past years, loan closings were delayed because of municipalities not submitting their rate request to PSC early enough to get approval prior to the desired loan closing date. Applicants can lose their funding allocations if their rate increases aren't approved early enough to close by the April 30 deadline for loan closings.

Please don't put off submitting your rate increase application. This process is an important step in obtaining an SDWLP loan. For more information, visit PSC's website at <http://psc.wi.gov>. ☐

Interest Rates for EIF Loans

Jeanne Cargill

The Environmental Improvement Fund (EIF) recently completed the process of issuing new bonds for our loan programs. Surprisingly, our loan

interest rates did not change as a result of this bond issue. We are continuing to provide loans to municipalities based on a market rate of 4.30%. EIF interest rates for various types of projects are determined using a percentage of the market rate. Our current interest rates are:

Clean Water Fund Program

Compliance Maintenance (55% of market) – 2.365%
New/Changed Limits (55% of mkt) – 2.365%
Storm Water/Nonpoint Source (65% of mkt) – 2.795%
Unsewered (70% of mkt) – 3.010%

Safe Drinking Water Loan Program

Disadvantaged Municipalities* (33% of mkt) – 1.419%
Non-Disadvantaged Municipalities (55% of mkt) – 2.365%

* Disadvantaged municipalities have a population of less than 10,000 and a median household income in the municipality that is 80% or less of the state's median household income.

Land Recycling Loan Program - 0.00%

Please contact your EIF project manager if you have questions regarding the interest rate for your specific project.

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Collection System eCMAR

Jerry Wilson

This year satellite collection system owners are required to submit the electronic Compliance Maintenance Annual Report (eCMAR) for the first time. Information for the calendar year ending December 31, 2005, must be submitted to DNR by June 30. The Financial Management Section is one of two sections satellite collection system owners are required to complete.

To better understand what information the department is looking for, the person completing this section should press the

“Help” button to view instructions and definitions for the Financial Management section. The user can also print this information to use away from the computer.

The department updates the eCMAR instructions and definitions annually. Even the “seasoned veteran” in completing CMARs will find it helpful to access the instructions and definitions.

For more information regarding CMAR requirements for satellite collection systems, visit the following web page on DNR’s site:

http://www.dnr.wi.gov/org/water/wm/ww/cmar/satellite_collection.htm

If you have questions while working on the eCMAR Financial Management section, please contact Jerry Wilson at gerald.wilson@dnr.state.wi.us or 608-264-8986. ☐

every municipality that submitted an application is in the fundable range this year.

The almost \$11 million of unused funds from this year will be added to the amount available for next year (SFY 08). We anticipate having as much as \$40 million available next year. If you are interested in receiving a low-interest loan for your drinking water project next fiscal year, be sure to submit an application by April 30, 2007. We can’t provide funding for your project if we don’t get an application from you. The only way to get SDWLP funds for your project is to send in that application!

If you have questions regarding the SDWLP, contact Jeanne Cargill at (608) 267-7587 or

jeanne.cargill@dnr.state.wi.us. ☐



Extra SDWLP Funds?!

Jeanne Cargill

Please take a look at the funding list attached to this newsletter for the Safe Drinking Water Loan Program (SDWLP). Note the \$10,899,722 balance in the Funds Remaining column. The SDWLP has \$33,459,166 available to provide municipalities low-interest loans for their drinking water construction projects, but we received only \$22,559,444 in applications for the fiscal year.

The SDWLP project priority list published in March 2006 had over \$125 million in projects. It also included some high-cost projects toward the top of the list that perhaps gave potential customers the impression that the chances of making it into the fundable range this year looked pretty slim. Well, we didn’t receive applications for those big projects, so it turns out that